

**STATEMENT OF ANTHONY J. VEGLIANTE  
VICE PRESIDENT, LABOR RELATIONS  
BEFORE THE PRESIDENTIAL COMMISSION ON THE  
UNITED STATES POSTAL SERVICE  
APRIL 29, 2003**

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Good morning. My name is Tony Vegliante, and I am the Vice President, Labor Relations for the United States Postal Service. I have held this position since March of 1999.

Seated beside me is Bob Dufek, a partner with the law firm of Morgan, Lewis & Bockius and the head of the firm's Labor and Employment practice group. Bob serves as counsel to the Postal Service and was the Postal Service arbitrator in the last interest arbitration proceeding with the American Postal Workers Union. He has broad experience in private sector collective bargaining and is able to bring a perspective from his experience in both arenas.

I appreciate the Commission inviting me here today to address issues related to the postal work force. I want to accomplish three objectives in this short presentation. First, I want to give you a brief historical perspective on Postal Service labor relations. Second, I want to give you my perspective on where we are today and where we are going.

Third, I want to identify certain challenges that the Postal Service faces to achieve its labor relations objectives.

First, the history. At the time of the last Presidential Commission in 1967, Congress was subsidizing almost 25% of postal costs. In spite of this, low wages for postal employees had become a major issue. There was a constant tension between politics and fiscal restraint. Employees wanted wage increases, but the Post Office Department was bleeding red ink.

Congress did not want to keep subsidizing the Post Office – but also didn't want to raise the price of stamps. The result was often gridlock. Tensions spilled over in March 1970, and postal employees went on strike. Mail delivery virtually halted in some areas, and President Nixon called out the national guard in an effort to keep the mail moving.

Five months later the Postal Reorganization Act was passed, and with it came profound changes for collective bargaining and labor relations.

By law, postal employees are covered by federal workers' compensation and pension programs, which includes retiree health benefits. No changes can be negotiated or arbitrated concerning these issues.

Under the Act, we do negotiate over wages, working conditions and some, but not all benefits. The benefits we do negotiate over are health care and paid time off. Postal employees are, under the Act, forbidden from striking. We work hard to reach voluntary agreements and successful collective bargaining is our strong preference. Nevertheless, if we can't reach agreement, collective bargaining disputes are resolved by interest arbitration. By statute, a three-member panel will determine the terms of the new collective bargaining agreement. The three-member panel is comprised of a union arbitrator, a management arbitrator and a neutral arbitrator.

I have attached to my statement a historical review of collective bargaining outcomes in the Postal Service. It shows whether the parties reached voluntary agreements or resorted to interest arbitration.

Now, I want to give you my perspective on where the labor – management relationship is today. It has been a priority of Jack Potter's and mine to have open lines of communication with our unions and, as a result, we have been able to reach voluntary collective bargaining agreements and work together on a number of important issues. For example, during my time as head of postal Labor Relations, we have reached a five year agreement with the National Association of Letter Carriers and a four year agreement with the Mail Handlers.

We have reached voluntary agreements to extend existing contracts with the National Rural Letter Carriers' Association, the American Postal Workers Union, and the Mail Handlers Union.

We have also negotiated agreements with all our unions to improve our grievance-arbitration process. As an example, we have significantly streamlined the grievance process with the Letter Carriers resulting in dramatic reductions in grievances. We will engage in joint contract training with the Mail Handlers.

Finally, we have also made agreements with various unions to deal with issues ranging from safety and health, revenue generation, and the exploration of alternative delivery models.

Together, union and management face some tough issues ahead – including the need to right-size the workforce to meet volume declines, technological competition and other operational challenges. In the past, we have worked with our various unions in the implementation of automation and the related impacts. In our most recent extension agreements with the APWU and the Mail Handlers Union, the parties included commitments to work together to meet the challenges that accompany workforce repositioning. Our ongoing efforts with OPM and the unions on an early retirement program are part of this cooperative effort. Since 1999, we have reduced our workforce by approximately 60,000 employees and we are working continually to right-size the organization.

So, today both sides are moving in the right direction. But, there are certain challenges which I'd like to address now.

Perhaps the most significant, is the inherent delay associated with the interest arbitration process. When we do go to interest arbitration, it is a lengthy, time-consuming and litigious process. These proceedings typically last for six months to a year. Awards may not be received until more than a year has passed since the previous contract expired. Everyone suffers from the delay – our employees, our relationship with the unions, and our customers.

One of my personal frustrations is that often the parties in negotiations come very close to an agreement, but do not quite make it. Too often, in interest arbitration, the parties revert back to their initial negotiating positions, instead of building on the progress made in negotiations. This makes the process not only more time-consuming, but also increases the risk in a proceeding which decides very important issues to the future of the Postal Service.

Another difficult area involves the negotiation of fringe benefits. The cost of postal benefits has risen about 27% more than the private sector over the past twenty years.

Part of the frustration with this is that there are substantial fringe benefit costs that are statutorily mandated and, thus, outside the scope of bargaining. These include retirement and retiree health care benefits.

For fiscal year 2002, for example, bargaining unit costs for the Federal Employee Retirement System, the Civil Service Retirement System, and retiree health care was \$6 billion.

These costs will grow and are costs which the Postal Service currently has no opportunity to control. From a business perspective, I know that you can appreciate that the Postal Service must have the means to address the fringe benefits package if it is to control its bottom line.

Now is a perfect opportunity to look at these issues. We have a large percentage of our workforce that is approaching retirement age. Not all of these employees will be replaced, but clearly some of them will. As we look to the workforce of the future, it is important to consider what kind of fringe benefit package will enable us to compete in the marketplace.

Finally, we are keenly aware that the market in which the Postal Service competes today is much different than the market of 1970. We rely heavily on revenue from products where there is major competition. In order for the Postal Service to succeed, it must have the ability to control costs and react promptly to market forces.

These market forces and resulting changes in postal operations will dictate our future workforce strategy. If the laws governing the Postal Service fundamentally change postal operations, then our greatest challenge will be to work with our postal unions and management organizations to align our workforce to meet new operational demands.

Thank you.